

TITLE VII—DISPLACED WORKER HEALTH INSURANCE CREDIT

SEC. 701. DISPLACED WORKER HEALTH INSURANCE CREDIT.

(a) IN GENERAL.—Subchapter B of chapter 65 is amended by inserting after section 6428 the following new section:

“SEC. 6429. DISPLACED WORKER HEALTH INSURANCE CREDIT.

“(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by subtitle A an amount equal to 60 percent of the amount paid during the taxable year for coverage for the taxpayer, the taxpayer's spouse, and dependents of the taxpayer under qualified health insurance during eligible coverage months.

“(b) ONLY 12 ELIGIBLE COVERAGE MONTHS.—The number of eligible coverage months taken into account under subsection (a) for all taxable years shall not exceed 12.

“(c) ELIGIBLE COVERAGE MONTH.—For purposes of this section—

“(1) IN GENERAL.—The term ‘eligible coverage month’ means any month during 2002 or 2003 if, as of the first day of such month—

“(A) the taxpayer is unemployed,

“(B) the taxpayer is covered by qualified health insurance,

“(C) the premium for coverage under such insurance for such month is paid by the taxpayer, and

“(D) the taxpayer does not have other specified coverage.

“(2) SPECIAL RULES.—

“(A) TREATMENT OF FIRST MONTH OF EMPLOYMENT.—The taxpayer shall be treated as meeting the requirement of paragraph (1)(A) for the first month beginning on or after the date that the taxpayer ceases to be unemployed by reason of beginning work for an employer.

“(B) INITIAL CLAIM MUST BE AFTER MARCH 15, 2001.—The taxpayer shall not be treated as meeting the requirement of paragraph (1)(A) with respect to any unemployment if the initial claim for regular compensation for such unemployment is filed on or before March 15, 2001.

“(C) JOINT RETURNS.—In the case of a joint return, the requirements of paragraph (1) shall be treated as met if at least 1 spouse satisfies such requirements.

“(3) OTHER SPECIFIED COVERAGE.—For purposes of this subsection, an individual has other specified coverage for any month if, as of the first day of such month—

“(A) SUBSIDIZED COVERAGE.—

“(i) IN GENERAL.—Such individual is covered under any qualified health insurance under which at least 50 percent of the cost of coverage (determined under section 4980B) is paid or incurred by an employer (or former employer) of the taxpayer or the taxpayer's spouse.

“(ii) TREATMENT OF CAFETERIA PLANS AND FLEXIBLE SPENDING ACCOUNTS.—For purposes of clause (i), the cost of benefits—

“(I) which are chosen under a cafeteria plan (as defined in section 125(d)), or provided under a flexible spending or similar arrangement, of such an employer, and

“(II) which are not includible in gross income under section 106,

shall be treated as borne by such employer.

“(B) COVERAGE UNDER MEDICARE, MEDICAID, OR SCHIP.—Such individual—

“(i) is entitled to benefits under part A of title XVIII of the Social Security Act or is enrolled under part B of such title, or

“(ii) is enrolled in the program under title XIX or XXI of such Act.

“(C) CERTAIN OTHER COVERAGE.—Such individual—

“(i) is enrolled in a health benefits plan under chapter 89 of title 5, United States Code, or

“(ii) is entitled to receive benefits under chapter 55 of title 10, United States Code.

“(4) DETERMINATION OF UNEMPLOYMENT.—For purposes of paragraph (1), an individual shall be treated as unemployed during any period—

“(A) for which such individual is receiving unemployment compensation (as defined in section 85(b)), or

“(B) for which such individual is certified by a State agency (or by any other entity designated by the Secretary) as otherwise being entitled to receive unemployment compensation (as so defined) but for—

“(i) the termination of the period during which such compensation was payable, or

“(ii) an exhaustion of such individual's rights to such compensation.

“(d) QUALIFIED HEALTH INSURANCE.—For purposes of this section, the term ‘qualified health insurance’ means insurance which constitutes medical care; except that such term shall not include any insurance if substantially all of its coverage is of excepted benefits described in section 9832(c).

“(e) COORDINATION WITH ADVANCE PAYMENTS OF CREDIT.—

“(1) RECAPTURE OF EXCESS ADVANCE PAYMENTS.—If any payment is made by the Secretary under section 7527 during any calendar year to a provider of qualified health insurance for an individual, then the tax imposed by this chapter for the individual's last taxable year beginning in such calendar year shall be increased by the aggregate amount of such payments.

“(2) RECONCILIATION OF PAYMENTS ADVANCED AND CREDIT ALLOWED.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit (other than the credit allowed by subsection (a)) allowable under part IV of subchapter A of chapter 1.

“(f) SPECIAL RULES.—

“(1) COORDINATION WITH OTHER DEDUCTIONS.—Amounts taken into account under subsection (a) shall not be taken into account in determining any deduction allowed under section 162(l) or 213.

“(2) MSA DISTRIBUTIONS.—Amounts distributed from an Archer MSA (as defined in section 220(d)) shall not be taken into account under subsection (a).

“(3) DENIAL OF CREDIT TO DEPENDENTS.—No credit shall be allowed under this section to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

“(4) CREDIT TREATED AS REFUNDABLE CREDIT.—For purposes of this title, the credit allowed under this section shall be treated as a credit allowable under subpart C of part IV of subchapter A of chapter 1.

“(5) REGULATIONS.—The Secretary may prescribe such regulations and other guidance as may be necessary or appropriate to carry out this section and section 7527.”

(b) INCREASED ACCESS TO HEALTH INSURANCE FOR INDIVIDUALS ELIGIBLE FOR TAX CREDIT THROUGH USE OF GUARANTEED ISSUE, QUALIFIED HIGH RISK POOLS, AND OTHER APPROPRIATE STATE MECHANISMS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, in applying section 2741 of the Public Health Service Act (42 U.S.C. 300gg-41) and any alternative State mechanism under section 2744 of such Act (42 U.S.C. 300gg-44), in determining who is an eligible individual (as defined in section 2741(b) of such Act) in the case of an individual who may be covered by insurance for which credit is allowable under section 6429 of the Internal Revenue Code of 1986 for an eligible coverage month, if the individual seeks to obtain health insurance coverage under such

section during an eligible coverage month under such section—

(A) paragraph (1) of such section 2741(b) shall be applied as if any reference to 18 months is deemed a reference to 12 months, and

(B) paragraphs (4) and (5) of such section 2741(b) shall not apply.

(2) PROMOTION OF STATE HIGH RISK POOLS.—Title XXVII of the Public Health Service Act is amended by inserting after section 2744 the following new section:

“SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.

“(a) SEED GRANTS TO STATES.—The Secretary shall provide from the funds appropriated under subsection (c)(1) a grant of up to \$1,000,000 to each State that has not created a qualified high risk pool as of the date of the enactment of this section for the State's costs of creation and initial operation of such a pool.

“(b) MATCHING FUNDS FOR OPERATION OF POOLS.—

“(1) IN GENERAL.—In the case of a State that has established a qualified high risk pool that restricts premiums charged under the pool to no more than 150 percent of the premium for applicable standard risk rates and that offers a choice of two or more coverage options through the pool, from the funds appropriated under subsection (c)(2) and allotted to the State under paragraph (2), the Secretary shall provide a grant of up to 50 percent of the losses incurred by the State in connection with the operation of the pool.

“(2) ALLOTMENT.—The amounts appropriated under subsection (c)(2) for a fiscal year shall be made available to the States in accordance with a formula that is based upon the number of uninsured individuals in the States.

“(3) CONSTRUCTION.—Nothing in this subsection shall be construed as preventing a State from supplementing the funds made available under this subsection for the support and operation of qualified high risk pools.

“(c) FUNDING.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated—

“(1) \$20,000,000 for fiscal year 2002 to carry out subsection (a); and

“(2) \$40,000,000 for each of fiscal years 2002 and 2003.

Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year. Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.

“(d) QUALIFIED HIGH RISK POOL AND STATE DEFINED.—For purposes of this section, the term ‘qualified high risk pool’ has the meaning given such term in section 2744(c)(2) and the term ‘State’ means any of the 50 States and the District of Columbia.”

(3) CONSTRUCTION.—Nothing in this subsection shall be construed as affecting the ability of a State to use mechanisms, described in sections 2741(c) and 2744 of the Public Health Service Act, as an alternative to applying the guaranteed availability provisions of section 2741(a) of such Act.

(c) INFORMATION REPORTING.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by inserting after section 6050S the following new section:

“SEC. 6050T. RETURNS RELATING TO DISPLACED WORKER HEALTH INSURANCE CREDIT.

“(a) REQUIREMENT OF REPORTING.—Every person—

“(1) who, in connection with a trade or business conducted by such person, receives